

Health Coverage Tax Credit

The August 1, 2003 Implementation

*A Readiness Communication to the
Health Plan Administrator Community*



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1 Purpose

- To prepare Health Plan Administrators (HPA) for the Health Coverage Tax Credit (HCTC) program's August 1, 2003 capabilities and to request your feedback
- This document pertains only to the August 1, 2003 implementation and not any impending legislative or Department of Treasury policy decisions

2 About the Program

The Health Coverage Tax Credit pays 65% of the cost of premiums for qualified health plans for eligible individuals and qualified family members.¹ It is not a Federal government insurance program. Insurers selected by each state (or via automatic options through COBRA, spousal, or individual coverage) provide the insurance. Recipients can receive their benefits either in advance – to help pay health plan premiums as they come due, or in a lump sum when they file their federal tax returns. The advance tax credit program becomes operational August 1, 2003, although the year-end tax credit has been available since December 2002.

Who is eligible? Nationwide, hundreds of thousands of people are potentially eligible for the program. They include displaced workers who are eligible to receive Trade Readjustment Allowances (TRA) under the Trade Adjustment Assistance Act (TAA), or the upcoming Alternative Trade Adjustment Assistance (ATAA) program. Other eligible individuals receive pensions managed by the Pension Benefit Guaranty Corporation (PBGC).

¹ See http://www.doleta.gov/tradeact/2002act_index.asp for a copy of the Trade Adjustment Assistance Reform Act of 2002.

What Health Plan Administrators Qualify?

Certain types of health plans automatically qualify for the HCTC program. Each state can also include alternatives. HCTC candidates must be enrolled in a qualified plan in order to receive the HCTC benefit.

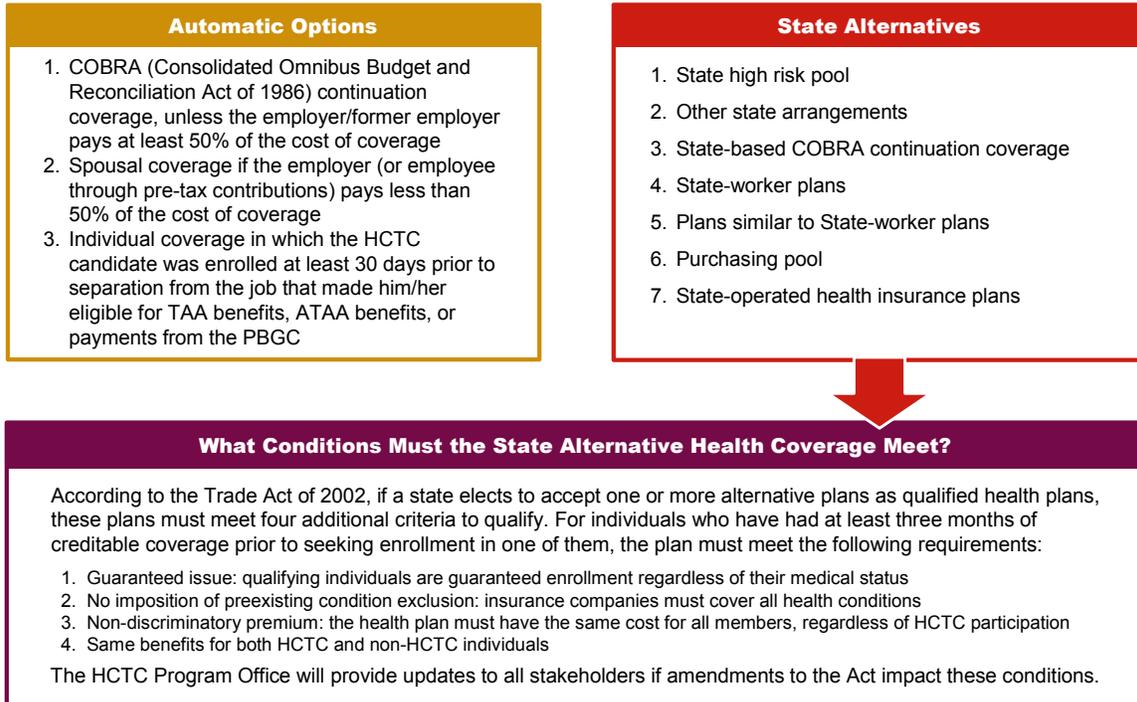


Figure 2-1. Health Plan Administrators can be qualified for HCTC automatically or by the state.

Under the Act, a “qualifying individual” is a person who is eligible for the tax credit and who has three months or more of creditable coverage without a break in coverage of more than 63 consecutive days at the time of application. A health plan administrator does not have to guarantee issue to eligible individuals who do not meet this criterion. If the plan does provide coverage, it may impose a preexisting condition exclusion on such individuals in the same manner as it would for non-HCTC eligible applicants.

What are the characteristics of the eligible population?

- Of the projected population eligible for HCTC in 2003:
 - About half are displaced workers (TAA/ATAA)
 - About half receive pensions through PBGC
- There is a wide variation of potential TAA/ATAA and PBGC candidates by state:
 - TAA/ATAA “high impact” in CA, NC, PA, TX, WA (>7000 individuals)
 - PBGC “high impact” in CA, FL, IL, NY, OH, PA (>7000 individuals)
- The demographics of TAA/ATAA participants:
 - 60% are female

- 43% between 30-45 years of age
- 74% are high school graduates or less
- 17% Hispanic/Latino (up to 50 percent in some states)
- Total PBGC beneficiaries (55-65 yrs) in 2002 was approximately 100,000

Which Trade Adjustment Assistance (TAA) recipients are potentially eligible?

- Individuals receiving a Trade Readjustment Allowance (TRA)
- Individuals who would be eligible to receive TRA, but have not yet exhausted their unemployment insurance (UI) benefits
- Individuals receiving benefits under the Alternative Trade Adjustment Assistance (ATAA) program

Which PBGC recipients are potentially eligible?

Individuals who are 55 years or older and meet one of the following requirements:

- Receive pension benefits from the PBGC
- Receive pension benefits from the PBGC as a survivor or beneficiary of a PBGC participant
- Receive a portion of his or her ex-spouse's benefit from the PBGC as an alternate payee
- Have received a lump sum payment after August 5, 2003

What conditions exclude individuals from being eligible?

Individuals are not eligible for the HCTC for any month if on the first day of such month any of the following apply:

- They are enrolled in a health plan maintained by an employer or former employer that pays (or the employee pays with pre-tax dollars) at least 50% of the cost of coverage
- They are entitled to health coverage under Medicare Part A or enrolled in Medicare Part B
- They are enrolled in a state's Medicaid program
- They are enrolled in the State Children's Health Insurance Program (SCHIP)
- They are enrolled in a plan in the Federal Employees Health Benefit Program (FEHBP)
- They are entitled to health coverage through the U.S. military health system (TRICARE/CHAMPUS)
- They are imprisoned by a federal, state, or local authority

Individuals are not eligible for the HCTC during any year for which they can be claimed as a dependent on someone else's federal tax return.

Stakeholder Descriptions

Stakeholder engagement is a key factor to the success of the HCTC program. Each stakeholder has an important role. Below are the federal and state stakeholders:

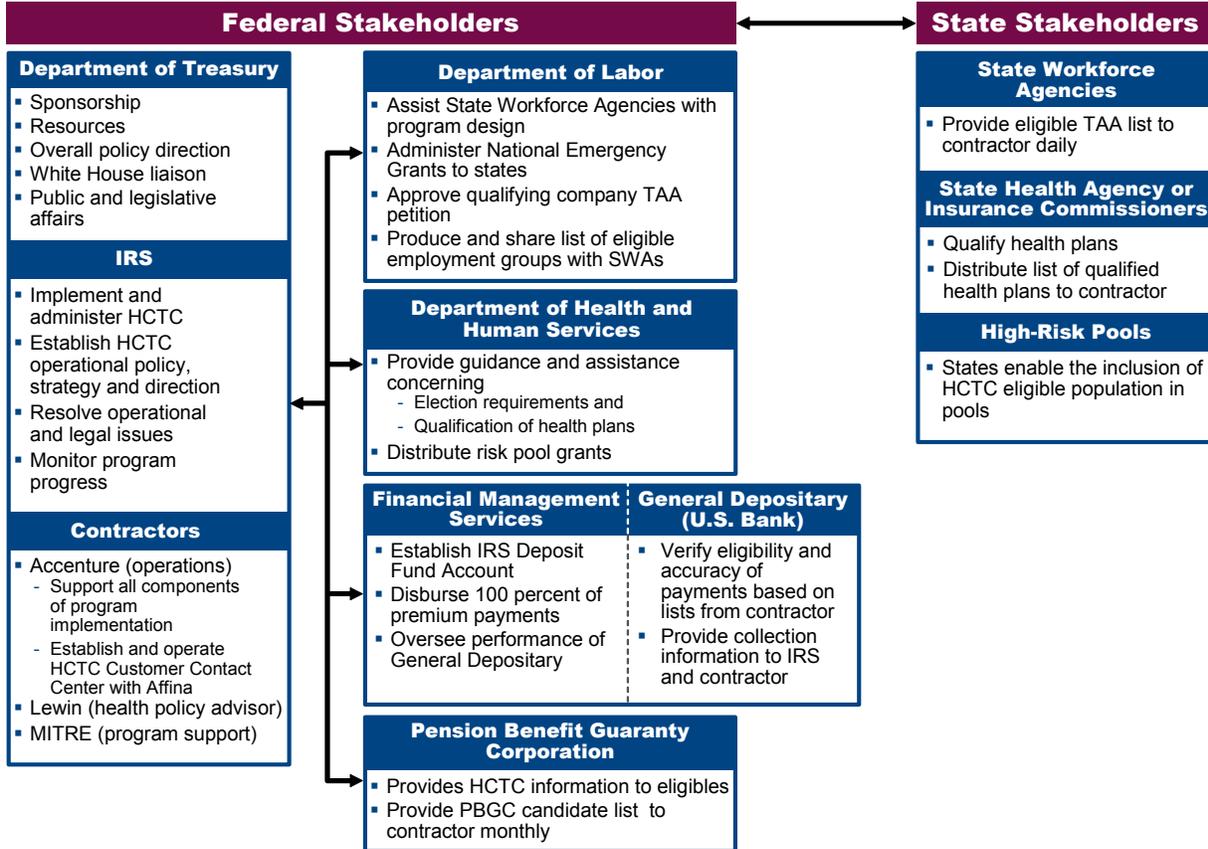


Figure 2-2. Stakeholder engagement is a key factor in the success of the HCTC program.

Below are the industry and individual stakeholders:

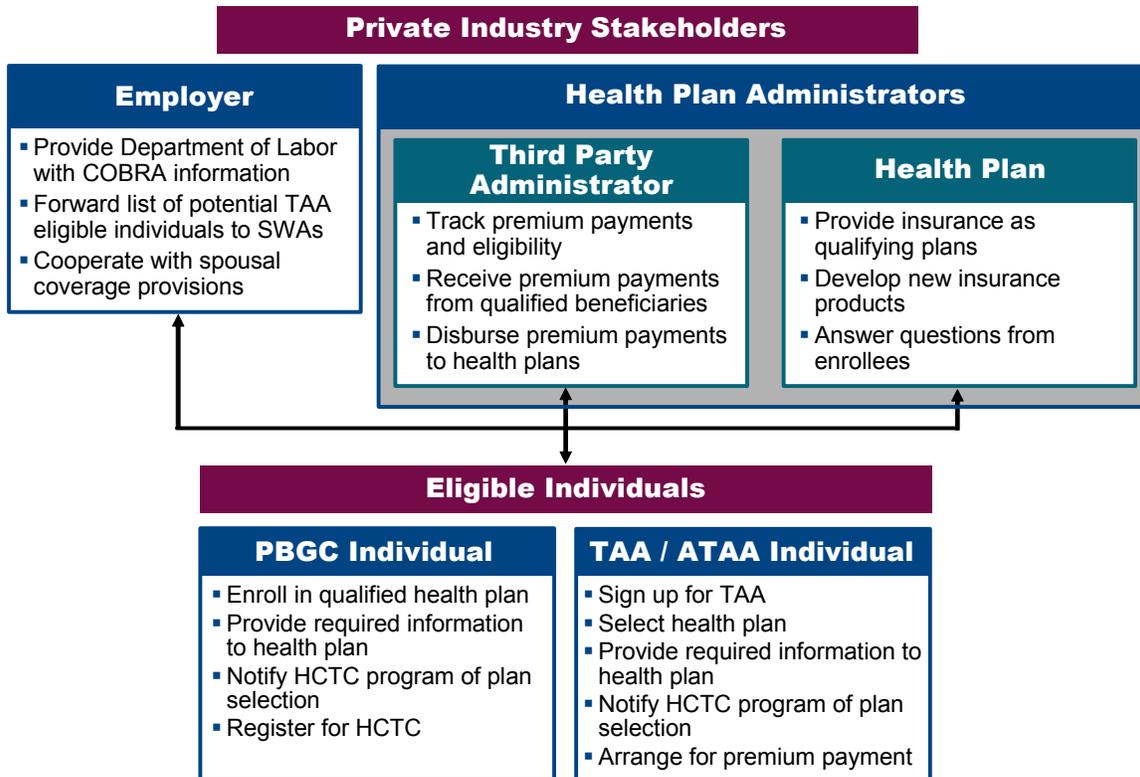


Figure 2-3. Private industry stakeholders also play an important role in the HCTC process.

Additional suggested roles and responsibilities of Health Plan Administrators involved in the HCTC program are:

- Provide qualifying health plan options
- Develop new insurance products if necessary
- Enroll individuals in qualified health plans
- Answer health plan enrollment questions from enrollees
- Provide necessary health plan administrator company information to the HCTC program
- Register to receive payments (see “5 Central Contractor Registration (CCR)”)
- Continue to invoice individuals directly

3 Things to Keep in Mind

Please keep the following points in mind while reading this document:

- The HCTC is a benefit to a registered individual.
- The HCTC program does not track an individual's health plan benefits.
- States are responsible for qualifying "comparable insurance plans."
- The HCTC program's eligibility file is updated daily from state workforce agencies, and updated monthly from PBGC.
- The HCTC program does not track COBRA plan begin and end dates.
- An individual may still be eligible for the end-of-year tax credit even though they are removed from the advance tax credit program for that calendar year.
- An eligible individual may be removed from the HCTC advance pay option if the 35% premium payment is not received on time. (see "6 HCTC Billing Cycle" for details)
- The HCTC program disburses funds to the entity that invoices the individual. This entity is referred to as a "health plan administrator." A health plan administrator may be a former employer, third party administrator, or a health plan.
- Health plan administrators must be registered by the Department of the Treasury as a vendor to receive payment from the HCTC program. (See "5 Central Contractor Registration (CCR)" for details)

4 Processes – From a Health Plan Administrator Point of View

In its conceptual form, the Health Coverage Tax Credit pays 65% of the cost of eligible premiums for qualified health insurance for eligible individuals and qualified family members. In the advance tax credit program, health plan administrators receive the 100% eligible premium amount directly from the HCTC program.

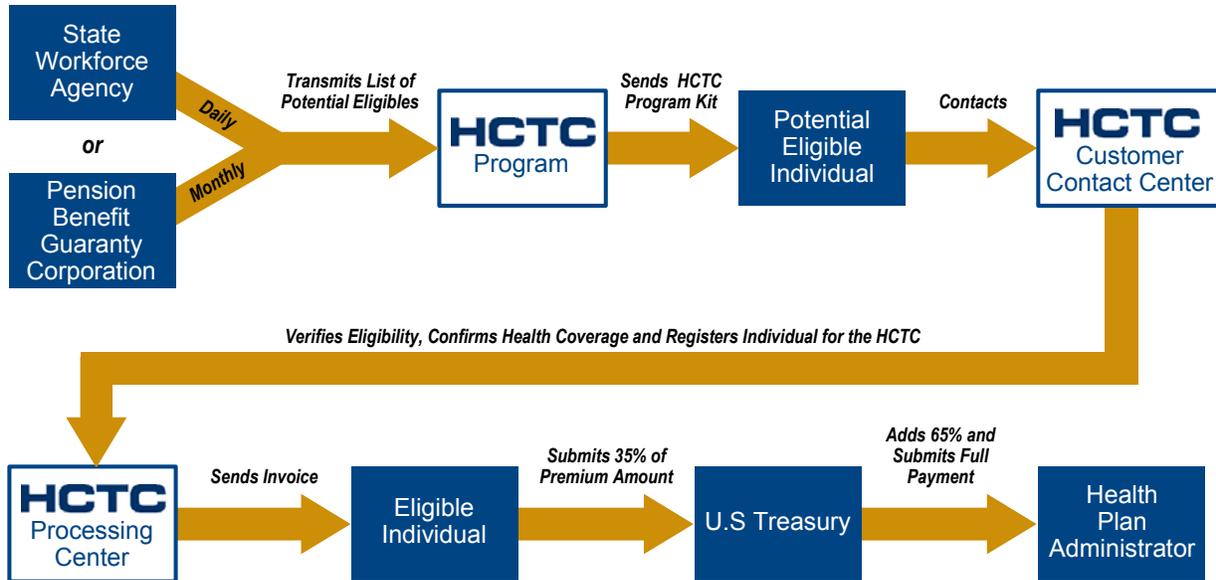


Figure 4-1. HCTC conceptual model.

The next three scenarios address the details that are of interest to health plan administrators. The goal of these scenarios is to clarify to HPAs their role (interactions and core activities) as a result of providing service to eligible HCTC individuals. They represent the interactions and core activities for the health plan administrators and the HCTC program, not the core activities of other external parties such as the governor’s office or the state department of insurance.

- Scenario 1: HCTC Registering an Individual
- Scenario 2: HCTC Registering a State-Qualified Health Plan
- Scenario 3: HCTC Registering an Automatically-Qualified Health Plan

Please note:

- Follow the process flow by number sequence
- The text below each process flow provides additional information on the scenario
- HPA processes and supporting text are indicated in gray

4.1 Scenario 1: HCTC Registering an Individual

- Individual becomes TAA/ATAA or PBGC eligible
- Individual enrolls in a qualified health plan
- Individual registers with HCTC
- Individual received invoice
- Individual submits 35% of their eligible premium amount to HCTC

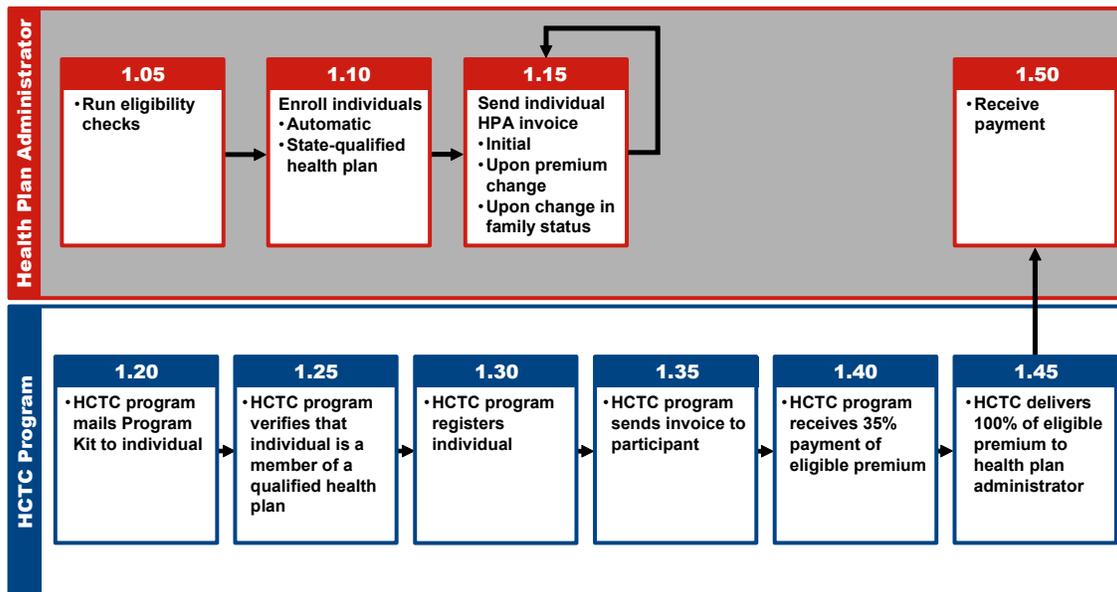


Figure 4-2. Scenario 1.

1.05 Run eligibility checks – The health plan administrator (HPA) conducts the eligibility checks deemed necessary prior to enrolling the individual. The HPA may choose to:

- Ask the individual if they received an HCTC Program Kit in the mail
- Ask the individual to forward the potential-eligibility letter sent to them by HCTC
- Not determine if individual is potentially eligible for HCTC

1.10 Enroll individual – This includes normal HPA business-practice steps.

1.15 Send individual an HPA invoice – This follows normal HPA business practice. Please keep in mind, the HCTC program asks the individual to provide a copy of the invoice to HCTC upon:

- Initial HCTC registration
- Premium change
- Change in family status

This process is between the individual and the HCTC program; therefore, no arrow showing a relationship between the HPA and HCTC is shown.

1.20 HCTC program mails Program Kit to individual – Once the HCTC program receives the eligibility lists from PBGC/TAA, the program runs some base eligibility checks (e.g., valid SSN). At this point, the HCTC program mails Program Kits to HCTC candidates. Please note not all HCTC eligibility criteria are met at this point.

1.25 HCTC program verifies individual is a member of a qualified health plan – The individual must be enrolled in either an automatic or state-qualified health plan.

1.30 HCTC program registers individual – The individual verifies eligibility and registers with the HCTC program to receive the credit. The individual can register for the advance tax credit or choose the end-of-year option. HPAs receive payment from the HCTC program for the advance tax credit, not the end-of-year credit. The individual then sends health plan invoices and the COBRA election letter (if COBRA) to the HCTC program.

1.35 HCTC program sends invoice to participant – HCTC calculates 35% of the eligible premium amount and sends an invoice to the individual for this amount. (see “6 HCTC Billing Cycle” for timeframe)

1.40 HCTC program receives 35% payment of eligible premium.

1.45 HCTC program delivers 100% of eligible premium to HPA – The HCTC program adds 65% of the eligible premium amount to the individual’s 35% portion and submits 100% of the payment via an ACH CCD+ transaction.

1.50 Receives payment – HPA applies the payment to the individual’s account.

4.2 Scenario 2: HCTC Registering a State-Qualified Health Plan

- Health plan becomes a state-qualified plan

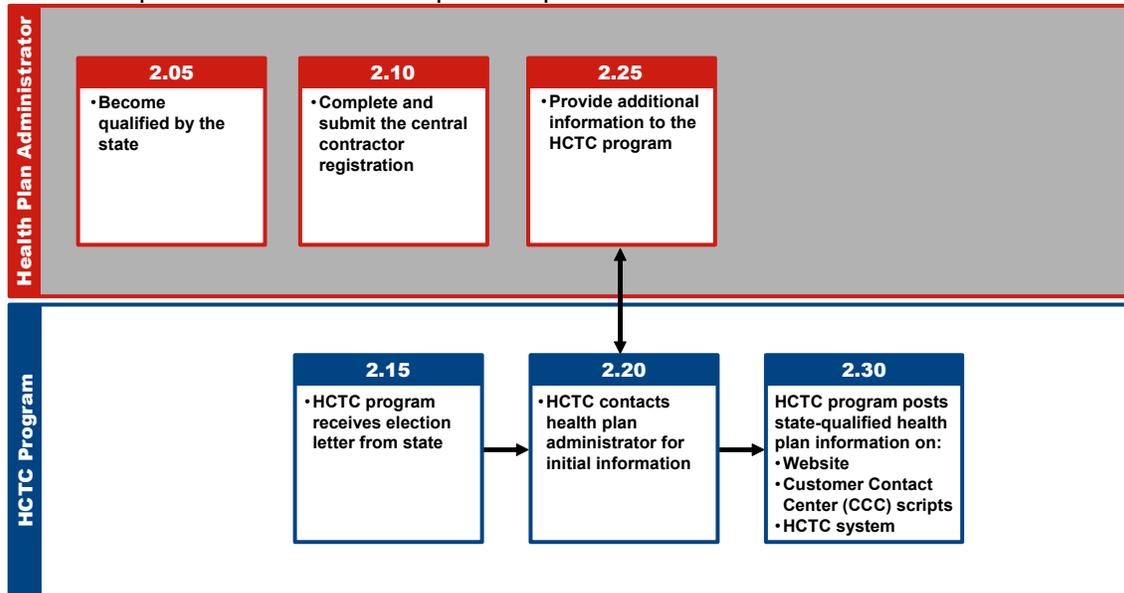


Figure 4-3. Scenario 2.

2.05 Become qualified by the State – HPAs must work with their state in order to be included on a list of state qualified plans for the HCTC program. (Note, the plan may still participate in the HCTC program for those eligible individuals registered in HCTC automatically qualified plans, such as COBRA, individual, and spousal coverage – See Scenario 3)

2.10 Complete and submit the Central Contractor Registration – (see the Central Contractor Registration section for steps)

2.15 HCTC program receives election letter from state – Upon receipt, the Treasury Department reviews the letter.

2.20 HCTC contacts HPA for initial information – Upon approval, the HCTC program communicates the availability of the approved state-qualified plans through its customer contact center and website.

2.25 Provide additional information to the HCTC program – Additional information includes links to a HPA website (if applicable), appropriate point-of-contact for HCTC candidates to call, and payment information.

2.30 HCTC program posts state-qualified health plan information:

- On the HCTC website
- In the scripts for the call center
- In the HCTC systems (in order to link to registered individuals and process payments)

4.3 Scenario 3: HCTC Registering an Automatically-Qualified Health Plan

- Individual enrolls in a qualified health plan; COBRA, for example
- Health plan administrator currently is not in the HCTC system

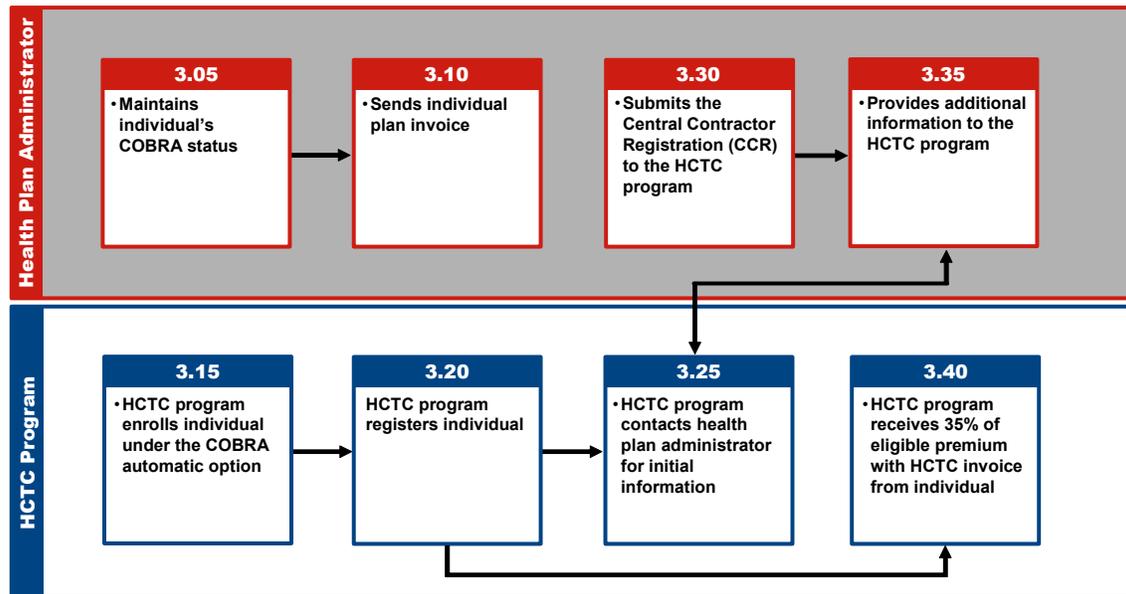


Figure 4-4. Scenario 3.

This process differs from Scenario 2 because in this scenario, *the individual is the trigger for health plan administrator enrollment*. (Note, the state election letter does not exist in this scenario)

Where possible, the HCTC program tries to gather information on predicted health plan administrators prior to receiving invoices from individuals. This minimizes payment timeframe risks.

3.05 Maintain individual's COBRA status – Follow normal business practice. This does not apply in the individual health insurance automatic option.

3.10 Send individual HPA invoice – HPA invoices the individual directly for full premium amount.

3.15 and **3.20** HCTC program enrolls and registers individual under the COBRA automatic option – The individual registers and provides a copy of their HPA invoice and their COBRA election letter.

3.25 HCTC program contacts health plan administrator for initial information – The HCTC program notifies the HPA of the HCTC program, the Central Contractor Registration (CCR) process, and asks for additional information typically included in the state election letter.

3.30 and **3.35** Submit the Central Contractor Registration and provide additional information to the HCTC program – HPA completes online CCR in order to receive payment from the Treasury Department.

3.40 HCTC program receives 35% of eligible premium with HCTC invoice from individual.

5 Central Contractor Registration (CCR)

- To receive payment from the HCTC program, health plan administrators must be registered by the Department of the Treasury as a vendor. Central Contractor Registration is required to receive any payments from HCTC, not just electronic fund transfer (EFT). To become a vendor the HPA **must** complete the Central Contractor Registration online at www.ccr.gov. The HCTC program contacts HPAs following receipt of an invoice to inquire about CCR status. If a health plan administrator is not registered in CCR, the HCTC program will provide assistance.
 - The CCR website has a handbook at www.ccr.gov/handbook.cfm that can be viewed prior to registration.
 - It may be helpful to complete the Central Contractor Registration Worksheet prior to online registration. The worksheet helps gather the required information. The worksheet is available at www.ccr.gov.
 - Once all of the required information is gathered, the actual online registration takes approximately 30 minutes to complete, depending upon the size and complexity of your company.
 - HPAs **must** renew registration annually to maintain an active status. Failure to do so will affect your ability to receive payments.
- Contact the HCTC program after registration and provide your DUNS number (DUNS+4 if applicable) and the corporate name used in the registration process. This information initiates the final set-up of your vendor file with the IRS. Note, the use of DUNS+4 numbers to identify vendors is limited to identifying different CCR records for the same vendor at the same physical location. For example, a vendor could have two records for themselves at the same physical location to identify two separate bank accounts.
- If the CCR is not completed, your company's ability to receive advance tax credit monies will be affected, making the end-of-year tax credit the only option to a registered individual in your health plan.

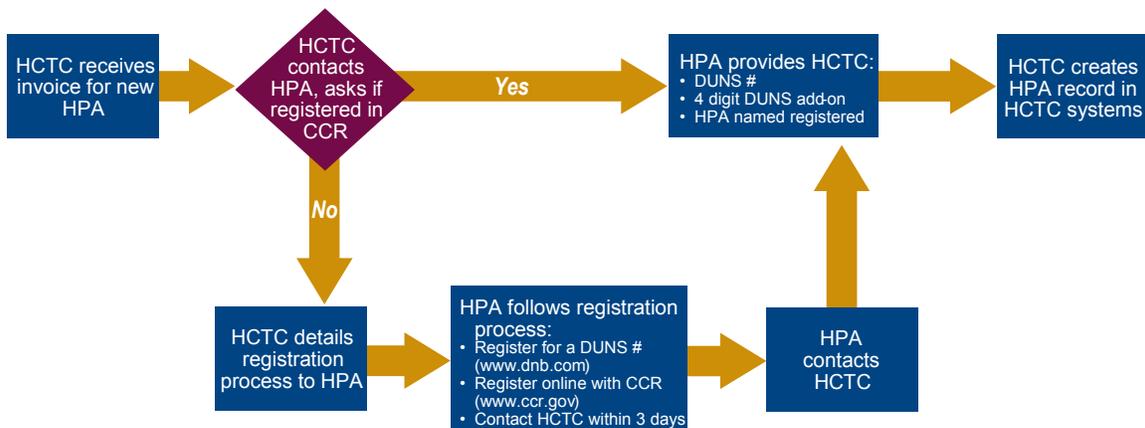


Figure 5-1. Health Plan Administrator Registration Process 8/1.

6 HCTC Billing Cycle

The billing cycle represents the timeframes prior to the due date noted on the health plan administrator invoice. The HCTC program bills from the due date of the first HPA invoice and uses the same day for the consecutive eligible month(s).

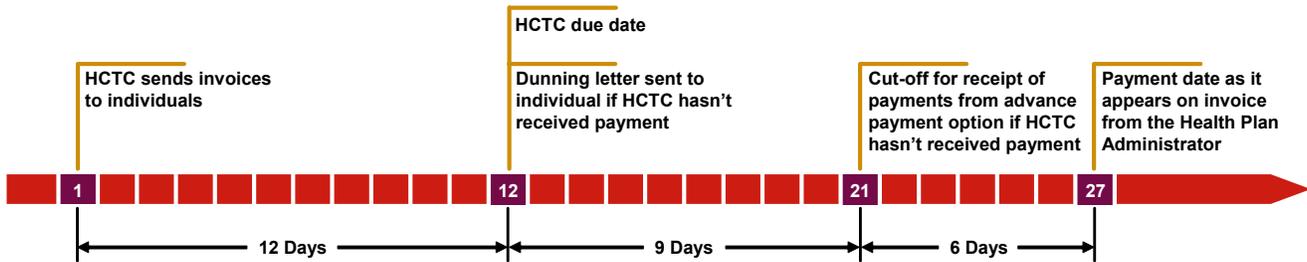


Figure 6-1. HCTC representative billing cycle.

7 Interactions

Below is a list of interactions health plan administrators should anticipate. Some interactions are unique to an HPA's involvement with HCTC, while others should fall under normal business practices.

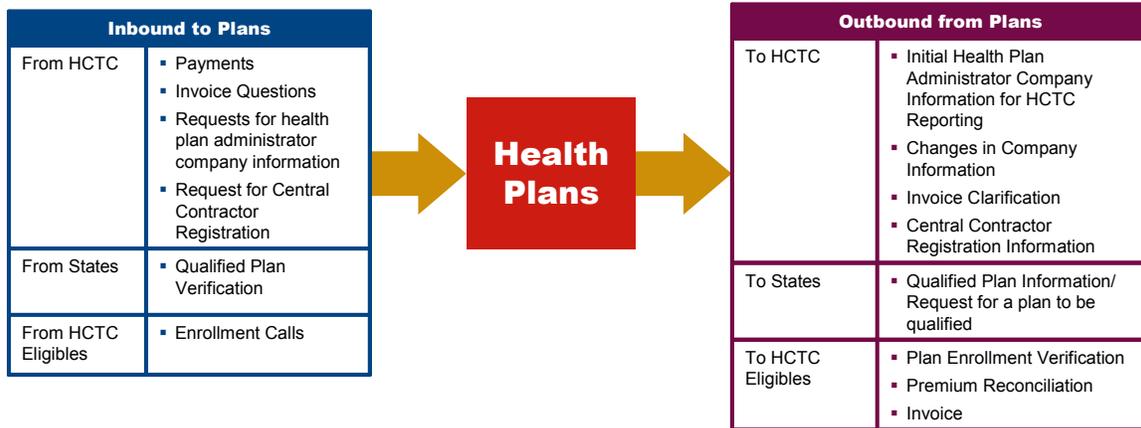


Figure 7-1. Health plan interactions.

Here we illustrate the interactions between health plan administrators and other partners in the HCTC program. The diagram shows the information that is inbound to health plan administrators and information outbound from health plan administrators.

Health plan administrators receive inbound information and/or inquiries from the HCTC program, states, and HCTC eligible individuals.

Health plan administrators have responsibilities to provide information to the HCTC program, state agencies, and to HCTC eligible individuals.

8 HCTC HIPAA Statement and Disclaimer

The HCTC program involves a considerable number of federal agencies, state workforce agencies, state insurance agencies, employers and third party administrators, health plan administrators, and contractors. Federal agency participants include the Financial Management Service (FMS), Department of Health and Human Services, Department of Labor, and PBGC. Several private contractors including Accenture, U.S. Bank, and others have been retained by the IRS and FMS to assist the federal government in its implementation of the HCTC program. Each entity is involved in providing others with information concerning HCTC, such as individuals' eligibility, premium amount, plan, and payment certification.

How HCTC Obtains and Uses Data

In order to operate, the HCTC program receives data on a routine basis from state workforce agencies (SWA) containing lists of Trade Adjustment Assistance (TAA) and Alternative TAA (ATAA) eligible individuals. It also receives similar data from the Pension Benefit Guaranty Corporation (PBGC) for HCTC eligible participants. Additional information is collected by the HCTC program from eligible individuals and health plan administrators. The information requested and collected is the minimum necessary required to administer the HCTC program. Administering the program includes, but is not limited to, processing and sending premium payments to health plan administrators on behalf of registered individuals in the HCTC program. Generally, the HCTC program gathers name, address, date of birth, tax ID number, insurance company name and policy number, member ID, type of insurance, premiums paid, and other information contained in the payment voucher or COBRA election letter submitted by the eligible individual.

HCTC's HIPAA Covered Entity Status

Members of the HCTC program team met separately with Department of Health and Human Services representatives at both the Office of Civil Rights (OCR) and the Centers for Medicare and Medicaid Services (CMS) to discuss the role that the HCTC has in complying with the new Health Insurance Portability and Accountability Act (HIPAA) Administrative Simplification rules. OCR is responsible for implementing and enforcing the HIPAA privacy rule. CMS is responsible for implementing and enforcing the security standards, transactions standards, and other HIPAA administrative simplification provisions, except for the privacy standards.

After careful consultation with both offices early in 2003, it was determined that the HCTC program is not a "covered entity" under the Administrative Simplification rules of HIPAA. Therefore, HCTC is not bound by the HIPAA rules regarding Privacy, Security, Transactions and Code Sets, and Individual Identifiers.

Specifically, the HCTC program does not meet the HIPAA definition of a covered entity: health plan, health care clearinghouse, and/or health care provider that transmits any health information in electronic form concerning a standard "transaction." HCTC is not considered a business associate to health plan administrators participating in the program, nor are health plan administrators acting as business associates to HCTC. By definition, the HCTC program is acting on its own behalf and currently does not act as an entity performing a function for or assisting health plans with a function or activity involving the use or disclosure of individually identifiable health information.

Transactions and Communications with the HCTC Program

HIPAA permits health plan administrators to communicate eligibility and payment information as part of its treatment, payment, and health care operations.² The disclosures of this information to the HCTC program are necessary for payment purposes. As such, they do not require an authorization from the individual, nor do they require health plan administrators to maintain an accounting of these disclosures.³ This statement does not preclude the reciprocal communication between health plan administrators and the HCTC program regarding eligibility status (active and terminated) and processing of premium payments. For instance, the HCTC program needs data from health plan administrators that indicates which individuals are no longer enrolled with them so that the office can update its systems and withhold payments for that individual. If the HCTC program requires protected information from a covered entity as those terms are defined under HIPAA Privacy Rules, the program office will work directly with the covered entity to assure that any information released satisfies the minimum necessary standard under HIPAA.⁴

Health plan administrators should be assured that although the HCTC program is not technically a covered entity, it has agreed to treat all information exchanges between its program office and health plan administrators or other coverage providers regarding individual information in a manner that complies with applicable federal privacy and security standards. The HCTC program office is required by I.R.C. § 6103 to ensure that all taxpayer information is kept private and secure. Information pertaining to participants that is received by the HCTC program office from coverage providers is not disclosed to any outside party nor used for any purpose inconsistent with I.R.C. § 6103.

When the advance tax credit program is implemented on August 1, 2003, the HCTC program office will not be able to support HIPAA EDI transactions. This includes Premium Payment (820), Benefit Enrollment and Maintenance (834) and Eligibility Inquiry and Response (270/271) transactions. The decision not to support these transaction types was made due to the unlikely early adoption by stakeholders of the HIPAA transaction formats by August 1, 2003. (The compliance date for HIPAA Transactions and Code Sets is October 16, 2003.) Our current approach is to eventually interact with our stakeholders in a HIPAA compliant fashion. Health plan administrators should be assured that HCTC is implementing processes and transactions that are standard in the industry.

As the program evolves, we will continue to monitor and evaluate the HCTC program HIPAA status. We will update this statement should our status regarding HIPAA change.

Officials from IRS have reviewed and approved this statement. IRS officials have also consulted with HHS regarding this statement. All parties have agreed that these assurances are consistent with HCTC program objectives.

² The information in this section is referenced from the HIPAA Privacy Rule. Refer to section 164.501 for the definition of health care operations and payment, and section 164.506 for information regarding uses and disclosures to carry out treatment, payment or health care operations.

³ See sections 164.506 and 164.528 (a) of the HIPAA Privacy Rule.

⁴ See sections 164.502(b) and 164.514(d) of the HIPAA Privacy Rule.

9 Highlights

Below are highlights to the frequently asked questions posed by the health plan administrator community. See the following pages for more details.

<p>Health Plan Product Impacts</p> <ul style="list-style-type: none"> ▪ The August 1st, 2003 HCTC program release will track state-qualified health plan coverage by state, not by zip code or by county. ▪ The HCTC covers major medical benefits; but not exceptions (e.g. Dental or Vision). 	<p>Report Requirements</p> <ul style="list-style-type: none"> ▪ The HCTC program will generate a 1099H to the individual for those that receive the advance tax credit. Thus, health plan administrators will not be required to generate a 1099H. ▪ HCTC reserves the right to request information for payment history purposes. 	<p>Premium Information</p> <ul style="list-style-type: none"> ▪ An individual registered in the HCTC program is ultimately responsible for bill reconciliation between themselves and their health plan administrator. ▪ If the invoice information is insufficient, HCTC will need to contact the health plan administrator for additional information (e.g. preferred method of payment).
<p>Health Plan Information</p> <ul style="list-style-type: none"> ▪ For the state-qualified option, states will qualify plans and forward the State Election Letter to the Department of the Treasury. Information on the State Election Letter includes: <ul style="list-style-type: none"> ▪ Plan name ▪ Policy form number ▪ State official's name and contact number ▪ The HCTC program will contact the indicated health plans for additional information. For example: <ul style="list-style-type: none"> ▪ Health plan point of contact name and contact information ▪ Health plan address ▪ Health plan website ▪ Health plan product name(s), product type(s) ▪ Cross-state affiliation 	<p>Payments</p> <ul style="list-style-type: none"> ▪ The HCTC program will send one electronic fund transfer (EFT) transaction per policy per payment period. ▪ The EFT record will contain a 30 character field with supporting payment information. ▪ HCTC sends payment to HPAs via an ACH credit transaction using a CCD+ format. ▪ If the HCTC program does not receive the participant's 35% payment on time, the participant is notified by HCTC and is held responsible for making the full 100% premium payment to the health plan administrator. ▪ If an individual misses one month's 35% payment to HCTC, s/he forfeits the advance pay option for the remainder of that calendar year. ▪ All health plan administrators must register at www.ccr.gov in order to receive payments from the HCTC program. 	

Figure 9-1. Frequently Asked Questions highlights.

10 FAQs

10.1 FAQs: Payments

Question(s)	Answer	Date Added
Payment to HPA Record Layout		
<p>P1. How will the HCTC program pay health plan administrators the premiums?</p>	<p>Financial Management Services of the US Treasury will send the payment directly to the plan administrators. Payment is made via an Automated Clearing House credit transaction using a CCD+ format.</p> <p>See Appendix 1 for the actual tape record layout.</p>	<p>6/12/03</p>
<p>P2. What payment information will health plan administrators receive with the payment from the HCTC program?</p>	<p>The HCTC program has a 30 character field that accompanies each payment. The field includes the following information in the order listed.</p> <p><u>COBRA</u></p> <ul style="list-style-type: none"> • SSN • Employer Name * • Policy # ** • Group # • Member # <p><u>Everyone but COBRA</u></p> <ul style="list-style-type: none"> • SSN • Policy # ** • Group # • Member # <p>If this information exceeds 30 characters, only the first 30 will accompany the payment.</p> <p>This 30 character field contains an underscore (_) as a delimiter.</p> <p>See Appendix 1 for the actual tape record layout.</p> <p>* Max length of 10 characters.</p> <p>** If the SSN and policy # are the same, only the SSN will be included in the 30 character field.</p>	<p>6/12/03</p>

<i>Question(s)</i>	<i>Answer</i>	<i>Date Added</i>
Payment Cycle		
P3. What if the payment from the HCTC program is late?	<p>The HCTC program is doing everything in its power to prevent a late payment, assuming the timely receipt of the 35% premium amount from the participant.</p> <p>If the HCTC program does not receive the participant's 35% payment in a timely manner, the participant is notified by the HCTC program and is held responsible for making the full 100% premium payment directly to the health plan administrator.</p> <p>The participant can claim the end-of-year tax credit for the remainder of the year.</p> <p>See "6 HCTC Billing Cycle" for an illustration of the HCTC payment cycle.</p>	6/12/03
P4. How often will HPAs receive payment from the HCTC program?	HCTC eligibility is determined monthly, therefore, premium payments from the HCTC program are made monthly.	7/23/03
End-of-Year Credit		
P5. Will health plan administrators have any interaction with the HCTC program if participants claim end-of-year credit?	The HCTC program is in the process of developing end-of-year policies and procedures.	6/12/03
HPA Invoices		
P6. Must health plan administrators generate monthly invoices to HCTC participants?	No, HPAs do not need to generate monthly invoices to HCTC participants. HPAs can continue with their regular billing cycle.	7/23/03
P7. Can health plan administrators send the periodic invoice directly to the HCTC program instead of the individual?	The HCTC program requires the individual to forward copies of applicable invoices to the HCTC program.	6/12/03

Question(s)	Answer	Date Added
P8. Do participants need to submit a monthly invoice to the HCTC program from their health plan?	No, participants are only required to submit a copy of their health plan invoice to the HCTC program for these reasons: <ul style="list-style-type: none"> • to complete the HCTC registration process • if the premium amount changes • if the individual switches to another qualified health plan administrator 	6/12/03
P9. Can health plan administrators receive a copy of their health plan administrator invoice with the payment from the HCTC program?	No, since the HCTC program does not receive copies of each invoice, HCTC will not be able to supply a copy to the HPA.	6/12/03
HPA Payment Receipt		
P10. We do not invoice the participant, we invoice the group. How do we receive the 100% payment from the HCTC program?	The HCTC program sends payment to the party who invoices the participant.	6/12/03
P11. Will the payment transactions from the HCTC program contain payments for one or many enrollees?	The HCTC program will send one payment per policy per payment period. The IRS system today can not process one payment to represent many enrollees.	7/23/03
Incomplete Payment from Individual		
P12. What happens if a participant has insufficient funds or does not pay the full amount?	See answer for P3. The HCTC program will not send HPAs short payments.	6/12/03

<i>Question(s)</i>	<i>Answer</i>	<i>Date Added</i>
Retroactive Payments/End-of-Year Credit		
P13. How does the HCTC program handle health plan administrator retroactive payments?	The HCTC program does not make advance payments retroactively. The credit must be claimed by the taxpayer at the end of the year. Some states have approved NEG interim grant monies that can be used to pay the premium retroactively.	6/12/03
Other HCTC Payment Options		
P14. Is there an interim payment solution if a health plan administrator cannot accept the August 1st, 2003 payment format?	The health plan administrators should contact the HCTC program.	6/12/03
Adjustments		
P15. How does the HCTC program handle adjustments?	The HCTC program currently does not handle adjustments. Health plan administrators should reconcile directly with the participant.	6/12/03
High Risk Pools		
P16. Some state high risk pools send individual invoices. Do health plans who administer these high risk pools need to bill differently? Note: Some high risk pools invoice per individual policy and not at the family level.	Health plan administrators may continue to bill as usual. HCTC eligibility is determined monthly; therefore, premium payments from HCTC are made monthly.	6/12/03
P17. For the high risk pool HCTC participants, will health plan administrators receive one payment per family member, or a combined check for the entire family?	Health plan administrators will receive one payment per qualified family member, given each member is invoiced separately.	6/12/03

<i>Question(s)</i>	<i>Answer</i>	<i>Date Added</i>
Pass-through Premium		
<p>P18. Does the HCTC program handle pass through premiums?</p> <p>Note: A pass through premium is a portion of the premium deemed not qualified for the HCTC benefit. If a participant sends a payment to the HCTC program that includes the 35% of their major medical, and 100% of the non-major medical, this question asks if the HCTC program addresses these non-major medical premiums on a pass through basis.</p>	<p>The HCTC program is authorized to pay 65% of the major medical premium only. For convenience, individuals may also remit for excepted benefits if billed on the same invoice as the major medical premium.</p>	<p>7/23/03</p>

10.2 FAQs: Payments/Eligibility

<i>Question(s)</i>	<i>Answer</i>	<i>Date Added</i>
PE1. What happens if an individual's eligibility terminates mid-month and the individual does not want to pay for the full month?	Partial payments are addressed between the health plan administrators and the individual. The individual may claim the end-of-year tax credit for the partial month.	6/12/03

10.3 FAQs: Individual Eligibility

<i>Question(s)</i>	<i>Answer</i>	<i>Date Added</i>
HCTC Eligibility		
E1. How can a health plan administrator verify HCTC eligibility after August 1, 2003?	All HCTC potentially eligible individuals receive a Program Kit and a Candidate Letter. This letter contains questions that the candidate can use to determine his or her eligibility status. Health plan administrators can request a copy of the Candidate Letter.	7/31/03
E2. If an HCTC participant is removed from the advance tax credit program, can a health plan administrator move them to a new product?	Participants should not be moved to another product as long as they remain HCTC-eligible. Note: an individual must be enrolled in a qualified plan to claim the end-of-year tax credit.	6/12/03
Inaccurate Eligibility Information		
E3. What occurs when a participant provides inaccurate information during the HCTC registration process that renders them ineligible? Will the HCTC program recover the monies from the health plan administrator or from the participant?	If an individual provides inaccurate information rendering them ineligible during the registration process, he or she may be subject to civil or criminal prosecution to the fullest extent of the law. Similar to other IRS audit practices, health plan administrators may be asked to supply additional payment details for an audited individual.	7/31/03
E4. On whom does the burden of self-attesting lie?	The burden lies with the individual.	6/12/03
Terminating an Individual from an HPA		
E5. If an individual drops off the eligibility list, are there any rules about how HPAs may cancel their enrollment in the health plan?	Since the individual is no longer a member of the HCTC program, HPAs should follow normal business practices. The HCTC program will not process payments for ineligible individuals.	6/12/03

10.4 FAQs: Central Contractor Registration (CCR)

<i>Question(s)</i>	<i>Answer</i>	<i>Date Added</i>
C1. What is the purpose of CCR?	<p>Central Contractor Registration was established with a two-fold purpose: for the federal government to comply with the Prompt Payment Act and to advance the goals of the Paperwork Reduction Act by maximizing the number of electronic payments made by the government. Since it was established the registry has grown to include federal grant recipients, federal aid recipients, and other federal agencies.</p> <p>The Department of the Treasury has also concluded that using CCR is the most efficient way to insure that the funds it disburses are received by the proper parties.</p>	7/23/03
C2. Does Completing CCR change a health plan administrator's responsibilities under HIPAA?	Registering with CCR does not change a health plan administrator's responsibilities under HIPAA. Review the HCTC program HIPAA Statement and Disclaimer for more information.	7/23/03
C3. Does completing CCR make a health plan administrator a government contractor?	No, completing CCR does not make a health plan administrator a government contractor. The HCTC program uses CCR as a means to deliver the advance payment of the tax credit. There is no contract between the government and the health plan administrator.	7/23/03

10.5 FAQs: State Contacts

<i>Question(s)</i>	<i>Answer</i>	<i>Date Added</i>
S1. Who do I contact in my state to become a state-qualified plan?	Please contact your state department of insurance.	6/12/03

10.6 FAQs: Reporting

Question(s)	Answer	Date Added
Individual Audits		
A1. What are the HCTC auditing requirements that will impact health plan administrators?	We ask participants to keep copies of their health plan policy information, health plan invoices, proof of payment, and HCTC program invoices. Health plan administrators may be asked to provide information to allow the HCTC program to randomly verify payment information.	6/12/03
A2. What are the HCTC reporting requirements for health plan administrators?	Reporting requirements are part of the end-of-year process that is currently under development.	6/12/03
1099-H Reporting Requirements		
A3. Are health plan administrators required to create an IRS Form 1099-H for HCTC participants?	Health plan administrators are not required to create a Form 1099-H for participants or report this information to the IRS as called for by Section 6050T of the Internal Revenue Code. The HCTC program generates the 1099-H and provides these statements to the participants, detailing the amount of advance credit they received for each month of participation. In addition, the HCTC program is responsible for providing to the IRS the information called for in Section 6050T in a compatible format.	6/12/03
Excepted Benefits		
A4. What are the additional documentation requirements for health plan administrators? <i>Please see question D1 in section 10.9 for a detailed listing of excepted benefits.</i>	The HCTC program is authorized to pay 65% of the major medical premium only. Therefore, health plan administrators need to be prepared to provide HCTC individuals with a detailed copy of the health plan invoice that breaks out the costs of the major medical premium, any excepted benefits, and non-qualified family members.	6/12/03

10.7 FAQs: Plan Options

<i>Question(s)</i>	<i>Answer</i>	<i>Date Added</i>
O1. Can an individual elect a state-qualified plan over a COBRA option (if available to them)?	Yes.	6/12/03
O2: Should health plan administrators communicate changes to health plans with the HCTC program or the state department of insurance?	Please communicate changes to your state department of insurance and then inform the HCTC program.	6/12/03

10.8 FAQs: Plan Termination

<i>Question(s)</i>	<i>Answer</i>	<i>Date Added</i>
T1. If my company (health plan administrator) decides to no longer participate in the state-qualified option, what is the amount of warning necessary to give to the states?	For questions related to the process in your state, please contact the state department of insurance.	6/12/03
T2. If my company (health plan administrator) decides to no longer participate in the state-qualified option, what are the procedures for notifying the states?	For questions related to the process in your state, please contact the state department of insurance. The state will then notify the HCTC program.	6/12/03

10.9 FAQs: Plan Products

<i>Question(s)</i>	<i>Answer</i>	<i>Date Added</i>
D1. What are excepted benefits?	<p>The following coverage does not qualify for the HCTC:</p> <ol style="list-style-type: none"> 1. Coverage under a flexible spending or similar arrangement 2. Any insurance if substantially all of the coverage is: <ol style="list-style-type: none"> a. Accident or disability income insurance (or a combination of the two) b. Liability insurance c. A supplement to liability insurance d. Workers' compensation or similar insurance e. Automobile medical payment insurance f. Credit-only insurance g. Coverage for on-site medical clinics h. Limited scope dental or vision benefits i. Benefits for long-term care, nursing home care, home health care, community-based care (or any combination) j. Coverage only for a specified disease or illness k. Hospital indemnity or other fixed indemnity insurance l. Medicare supplemental insurance, TRICARE supplemental insurance, or other similar supplemental insurance to an employer-sponsored group health plan 	6/12/03
D2. Do states qualify health plans or a health plan's products?	States qualify health plans and products.	6/12/03

10.10 FAQs: Marketing the HCTC Program

<i>Question(s)</i>	<i>Answer</i>	<i>Date Added</i>
M1. What is the HCTC program's marketing plan for August 1st, 2003?	Marketing efforts are currently state and customer focused. After August 1, 2003, a more targeted marketing strategy will be underway that is directed at the needs of the eligible population.	6/12/03

11 Additional Information

There are several options for you to get more information about any of the discussed topics.

- The HCTC program website: **www.irs.gov**, IRS keyword “HCTC”
- For any questions related to the content of this document, please contact the Health Plan Liaison Team by calling:

The HCTC Customer Contact Center

1-866-628-HCTC

TDD/TTY 1-866-626-HCTC

- For questions related to state-qualification:

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Appendix 1 – ACH CCD+ File Format

Tape Record Layout				CPSS: 08.90.017.20					
Date Created: 8/28/2000				ARM No: 0					
Date Modified: 1/24/2002				ARM Supplement: 0					
File Name: Vendor/Misc. Agency ACH Payment File File ID: (CCD+) Vendor Payment with Interest Penalty Addenda Example Output From: Agency or Electronic Certification System Input To: TOP Pre-Validation, RFC ACH Payment Application									
Record Information		File Information		Tape Information		Blocking Information			
Max Size:	160	Retention:	0 days	Track:	9	Density:	6250	Factor:	10
Record Type:	Fixed			Parity:	Odd			Max Length:	1600
Field Number	Length	Positions	Type	Description	Notes	Footnote			
1	80	1 - 80	A	Addenda Payment Information		1			
2	0			Interest Penalty Only					
3	0			Segment ID (3)	Always "RMR"				
4	0			Separator (1)	Always ***				
5	0			Reference Qualifier (2)	"IV" – Invoice Number, "CT" – Contract Number				
6	0				"PO" – Purchase Order Number				
7	0			Separator (1)	Always ***				
8	0			Reference Number (1/30)	Document Number, Left Justified, No Spaces				
9	0			Separator (1)	Always ***				
10	0			Payment Action Code (2/2)	"AI" – includes adjustments				
11	0			Separator (1)	Always ***				
12	0			Amount (1/10)	Payment Amount – unsigned field				
13	0			Terminator (1)	Always "\				
14	0			Segment ID (3/3)	Always "REF"				
15	0			Separator (1)	Always ***				
16	0			Reference Qualifier (2/2)	"RB" – Interest Rate				
17	0			Separator (1)	Always ***				
18	0			Interest Rate (1/30)	Use Prompt Payment Interest Rate				
19	0			Separator (1)	Always ***				
20	0			Description (1/80)	Amount of Interest paid and the number of days for which interest was paid				
22	0			Terminator (1)	Always "\				

Footnotes:

1 Addenda records are used to supply additional information about payment records. This information is passed through to the receiving Financial Institutions. Addenda records will not be included with any returned payment records. Only ANSI standard formats will be permitted. Addenda record information may only be used for the purpose of transmitting payment related info. Any other use is prohibited. This is an optional field and must be blank if not used. These records contain data segments composed of variable length elements separated by an "***" and terminated by a "\". The total length of the segments can NOT exceed 80 characters.
 Example of Addenda Format (Interest Penalty)
 RMR*IV*987654321*AI*375.00\REF*RB*6.25*\$12 for 48 days\
 For more information on addenda records, please contact the Customer Assistance Staff at your Regional Financial Center

Figure A-1. CCD + ACH credit File Format. This is used for electronic fund transfer from HCTC to the EFT location. Note: An arrow indicates the supporting 30 character field.

Appendix 2 – Suggested Checklist for Health Plan Administrators

Purpose: To develop a suggested checklist for Health Plan Administrators

Benefit: To ease any HCTC involvement concerns

Note: This is not a comprehensive checklist and does not represent HPA common business practices

Checklist prior to Receiving HCTC Payment

Register to receive payment from HCTC:

- Complete central contractor registration at www.ccr.gov
- Verify impact of 30 character payment addendum information being sent to the invoice location. If necessary, work with your bank to pull the 30 character information, and tie to the appropriate policy
- Provide information necessary for payments from HCTC to HPAs. E.g.,
- DUNS #
- Corporate Name used in CCR registration process

Register as an HCTC Qualified Plan

- Become a State-Qualified Plan with qualified products
- Communicate changes in your qualified plan status
- Communicate payment cycle (billing, dunning, grace periods) to the HCTC program

Enroll Individuals

- Enroll HCTC Potentially-Eligible Individuals

HPA Customer Service

- Prepare your call center to handle calls from HCTC eligible individuals
- Prepare call center representatives to discuss your state-qualified health plan and qualified products
- Be prepared to provide individuals enrolled in your health plan with a detailed breakout of their invoice if your product includes excepted benefits

Checklist after Receiving HCTC Payments

Overall

- Re-activate in Central Contractor Registration annually (not an extensive renewal process)
- Revise Central Contractor Registration whenever banking information changes
- Continue to enroll individuals

Enrolled Member Information

- Reconcile payment differentials with the individual

HPA Customer Service

- Be prepared to receive calls from HCTC inquiring on an individual's payment status

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